

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3940-01
Bill No.: HB 1667
Subject: Health Care; Insurance - Medical; Insurance Department
Type: Original
Date: April 2, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Insurance Dedicated	\$9,850	\$0	\$0
Highway Fund	(\$972,414)	(\$1,166,897)	(\$1,166,897)
Conservation	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)
Total Estimated Net Effect on <u>All</u> State Funds	(\$962,564 to Unknown)	(\$1,166,897 to Unknown)	(\$1,166,897 to Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services** state this proposal would not fiscally impact their agency.

Officials from the **Department of Public Safety - Missouri State Highway Patrol (MHP)** defer their fiscal note response to the Department of Transportation.

Officials from the **Department of Transportation (DHT)** state currently the Highway and Patrol Medical Plan covers newborn hearing screenings and the initial amplification for newborns who have a hearing loss detected within the first three months of birth. Because the Medical Plan does not currently cover replacement hearing aids or hearing aids for those who have a hearing loss detected after the first three months of birth, this legislation would have a fiscal impact to the Medical Plan. DHT states information obtained from the internet indicates that about 10% of the population have hearing impairments and 95% of those individuals would benefit from using hearing aids.

DHT stated that according to the Gallaudet survey, 2% of all children are hearing impaired and 4.4% of hearing loss in children is due to hearing loss at birth. DHT assumes that this is the percentage that would be identified with hearing loss by way of the newborn screenings and the children that the Medical Plan are currently responsible for covering their initial amplification effective January 1, 2002.

DHT assumes that the Medical Plan would cover the hearing exams and hearing aids up to 80% of the actual costs and would limit reimbursement for these costs to no more than once every three years. Based on information from an audiologist with the Missouri School for the Deaf, DHT also assumes that each individual would need two hearing aids. DHT states that the average price of a hearing aid is \$865 and a hearing exam is \$91.

Currently the Highway & Patrol Medical Plan has a total of 24,037 participants and on average has 293 new births per calendar year. Based on the above assumptions DHT found that approximately 2,404 ($24,037 \times 10\%$) participants covered under our medical plan would be hearing impaired. Of the 2,404 hearing impaired participants, approximately 2,284 ($2,404 \times 95\%$) would benefit from the use of hearing aids. DHT also assumes the Medical Plan would have 1 child every 4 years ($293 \times 2\% \times 4.4\%$) born with hearing loss. For purposes of this legislation DHT will assume the Medical Plan will have 1 child per year born with hearing loss. This one child is what the Medical Plan is currently responsible for coverage of their initial amplification. If the Medical Plan would have to provide coverage as stated in this legislation there would be a total fiscal impact of approximately \$3,500,690 ($(2404 - 1) \times ((865 \times 2) + 91) \times 80\%$) every three years or \$1,166,897 ($\$3,500,690/3$) annually.

ASSUMPTION (continued)

77% of the total participants in the Medical Plan are DHT and 23% of the total participants are MHP. As a result, \$898,511 ($\$1,166,897 \times 77\%$) of the annual cost is due to DHT participation and \$268,386 ($\$1,166,897 \times 23\%$) of the annual cost is due to MHP participation.

Historically, the department and the plan members have shared in any premium increases necessary because of increases in benefits. The costs may be shared in the long run (meaning shared between three categories: absorbed by the plan, state appropriated funds, and/or costs to individuals covered under the plan). However, the DHT (commission) must make a decision on what portion they will provide. Until the commission makes a decision, DHT can only provide the cost to the medical plan.

Officials from the **Department of Insurance (INS)** assume insurers and HMOs would be required to amend their policies to comply with this legislation. Amendments must be filed with INS. INS estimates that 171 insurers and 26 HMOs would be required to file at least one amendment to their policy form with a filing fee of \$50, resulting in revenue of \$9,850 in FY 2003. INS has reached capacity in policy form reviews and the additional workload created by this legislation would cause delays in policy form reviews. Additional staff are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form amendments, the department would need to request additional staff to handle the increase in workload.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state that HCP's plans provide for hearing aids once every two years. The HMO and POS premium plans require a 20% coinsurance from the member. The standard options for the MHO and POS require a 30% coinsurance from the member. The PPO plan requires a 10% coinsurance after the deductible.

HCP states the only health plan option that this proposal affects is the standard option. Upgrading this benefit by 10% would result in a minimal fiscal impact.

Department of Conservation (MDC) officials assume the proposed legislation would have a fiscal impact on MDC funds since hearing examinations and aids are not presently covered by MDC insurance. MDC estimates the impact could approach or exceed \$100,000 annually.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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INSURANCE DEDICATED FUND

<u>Revenue - Department of Insurance</u>			
Form filing fees	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>

ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND	<u>\$9,850</u>	<u>\$0</u>	<u>\$0</u>
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HIGHWAY FUND

<u>Costs - Department of Transportation</u>			
Increased state contribution	(\$748,759)	(\$898,511)	(\$898,511)

<u>Costs - Department of Public Safety - Missouri State Highway Patrol</u>			
Increased state contribution	(\$223,655)	(\$268,386)	(\$268,386)

ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>(\$972,414)</u>	<u>(\$1,166,897)</u>	<u>(\$1,166,897)</u>
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CONSERVATION FUND

<u>Cost - Department of Conservation</u>			
Increased state contributions	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses with health plans would be expected to be fiscally impacted to the extent that they may incur changes in insurance premiums.

DESCRIPTION

CM:LR:OD (12/01)

This proposal requires health insurance entities to provide coverage for hearing aids. The coverage may be limited so as to reimburse expenses once every 36 months. Reimbursement may be limited to 80% of the actual cost.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Transportation
Department of Social Services
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation
Department of Public Safety -
Missouri State Highway Patrol



Mickey Wilson, CPA
Acting Director
April 2, 2002